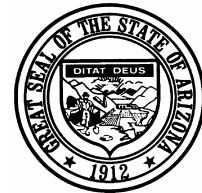


ARIZONA

TAXNEWS



Janet Napolitano, Governor

J. Elliott Hibbs, Director

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ARIZONA DEPARTMENT OF REVENUE

MISSION STATEMENT

The purpose of the Arizona Department of Revenue is to promote voluntary compliance with all tax obligations through fair administration, firm enforcement, and prompt and courteous service in a manner that justifies the highest degree of public confidence in our efficiency and integrity.

WE'RE ON THE WEB!

The Arizona Tax News can be viewed on our Internet website:

www.revenue.state.az.us

GOVERNOR APPROVES AMNESTY PROGRAM

On June 17, 2003, Governor Janet Napolitano signed House Bill 2533. This bill establishes an Arizona tax amnesty program that will run from September 1, 2003 through October 31, 2003. The amnesty provides waiver of penalties and reduced interest for those who qualify and applies to non-filed or under-reported income, withholding, transaction privilege, use, and luxury taxes.

Additional details will be provided in subsequent issues and will be available on the DOR website as they are finalized. If you want to read the statutory language establishing the amnesty, that can be found on the internet at www.azleg.state.az.us/FormatDocument.asp?inDoc=/legtext/46leg/1r/laws/0263.htm. It is in section 83 of this document.

IRS WEB SITE OFFERS IDENTIFICATION NUMBERS FOR BUSINESSES

IR-2003-77, June 13, 2003

WASHINGTON — The Internal Revenue Service now lets businesses obtain identification numbers directly from its Web site. After the taxpayer completes an application form online, the system issues an employer identification number (EIN) that may be used immediately.

This online process eliminates the need to send paperwork to the IRS as well as the delay in issuing a number that may result from an incomplete application form. Once a business has its EIN, it can file tax returns and may enroll in the Electronic Federal Tax Payment System to handle its payments most efficiently.

Businesses do not need to pre-register before requesting an EIN. The number issued is the permanent EIN for the business, unless the IRS finds that it has already issued an EIN for that business or if the principal officer's name and social security number do not match Social Security records. In such cases, the IRS will void the number issued through the Web site and notify

the business.

An accountant or tax preparer may use the Web site at www.irs.gov to request EINs on behalf of clients. The taxpayer must sign a copy of the Form SS-4 and a statement authorizing the representative to receive the number online. The representative must keep both documents on file. The Web site describes the elements required for an authorization statement, which a preparer may print out for the client to sign.

The online application process is not available to some EIN requestors, including federal, state or local government agencies, Indian tribal governments, real estate mortgage investment conduits, and taxpayers with addresses outside the 50 States.

For more information, go to www.irs.gov/smallbiz and click on the "Online Application – Form SS-4" link.

Businesses may still obtain EINs by telephone at 1-800-829-4933 from 7:30 a.m. to 5:30 p.m. (local time), or by mailing or faxing Form SS-4, as provided in the form's instructions.

***** REMINDER *****

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
June 2003 TPT return no later than
July 25, 2003 or deliver to DOR no later than
July 30, 2003.**

**April Summary of
General Fund Revenues**

	<u>April 2003</u>	<u>Fiscal Year Total</u>
Individual Income Tax		
Net Collections	\$178,155,084	\$1,410,739,671
Percent Change*	(15.3%)	(5.5%)
Corporate Income Tax		
Net Collections	\$84,014,040	\$292,984,053
Percent Change*	57.7%	8.1%
Transaction Privilege, Severance & Use Taxes		
Net Collections	\$263,762,436	\$2,516,697,423
Change *	1.1%	1.9%
Total Big Three Tax Types		
Net Collections	\$525,931,560	\$4,220,421,147
Percent Change*	(0.3%)	(0.3%)

() Decrease from same month last year.

* Percent change from same month last year.

**Individual Income Tax
Individual Income Tax Receipts**

Net Collections \$1,410,739,671 \$1,493,323,309 (5.5)			
	April 2003	April 2002	% Change
Gross Collections	\$272,037,025	\$303,233,433	1.0
Withholding	187,450,892	185,131,798	1.3
Refunds	(245,452,913)	(243,041,738)	(3.1)
Urban Rev Sharing	(35,879,921)	(35,100,591)	2.2
Net Collections	\$178,155,084	210,222,902	(15.3)

	(02/03)	(01/02)	% Change
Fiscal Year Total			
Gross Collections	\$546,762,539	\$602,104,290	(9.2)
Withholding	1,921,316,229	1,939,274,082	(0.9)
Refunds	(698,539,887)	(696,491,253)	0.3
Urban Rev Sharing	(358,799,211)	(351,563,810)	2.1
Net Collections	\$1,410,739,671	\$1,493,323,309	(5.5)

Included in the refund amounts above are refunds relating to the alternative fuel vehicle income tax credit. After offsetting \$500 in tax liability, there were no refunds issued. This amount does not include withholding and estimated payments returned to taxpayers because their liability was covered by the alternative fuel vehicle

TAX CALENDAR

JULY 2003

<u>Due Date</u>		<u>For Period Ending</u>
4	State Holiday-Independence Day All State Offices Closed	
15	Income Tax Returns:	3/31/03
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
15	Form 120: Corporation with Automatic Extension	9/30/02
15	Form 120S: S Corporation	4/30/03
15	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	3/31/03
15	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	3/31/04
	Second Installment	1/31/04
	Third Installment	10/31/03
	Fourth Installment	7/31/03
21	Form TPT-1: Transaction Privilege Tax: June Monthly Filers and Quarterly Filers	6/30/03
21	Bingo: Financial Reports	6/30/03
21	Luxury Tax: Various Forms	6/30/03
25	EFT Form TPT-1 and Payment: Transaction Privilege Tax: June Monthly Filers	6/30/03
31	Form A1-QRT & A1-QRT(EZ) Withholding Tax	6/30/03

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **exceeds** \$1,500 the employer must make its Arizona withholding payments to the Department of Revenue at the same time as the employer is required to make federal withholding deposits.

If the average amount of Arizona income taxes withheld in the preceding four calendar quarters **does not exceed** \$1,500 the employer must make its Arizona withholding payments to the department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department of Revenue. Information contained herein is of a general nature and is not designed to address complex issues in detail. Taxpayers requiring information concerning a specific tax matter should contact the appropriate office. This newsletter is available in an alternative format upon request. Subscription information may be obtained from the Publications Unit at 602-542-4672 or toll free from area codes 520 & 928, 1-877-863-0655.

ARE YOU UP TO DATE?

Electronic Return Originators and Transmitters (Providers) must notify the department within thirty (30) days of any changes in their business. This is important for several reasons. If addresses and telephone numbers are not up-to-date on our database, Providers may not receive important letters, seasonal tax alerts, publications or promotional material. If any item is returned to DOR indicating that the address has changed or DOR tries to call Providers whose number has been changed, we may temporarily drop those Providers from the DOR *e-file* Program. This means that all returns submitted by those Providers would be rejected until the address and/or telephone information is updated.

All changes to the e-file business information may be made by letter using the firm's official letterhead or by email. However, if any business change results in the firm being issued a new Electronic Filing Identification Number (EFIN) by the IRS, the business is required to submit the following information to the Arizona Department of Revenue.

A copy of the IRS acceptance letter identifying the new EFIN

Contact Name

Business Name,

Address (mailing and physical location, if different)

Telephone number

Fax Number

Email Address

Keep in mind that changes submitted for electronic filing purposes will not change the address of record for a business' tax records.

To keep up to date on Provider responsibilities, what's new and tax law changes, and much more, plan to attend:

Department of Revenue Tax Talk Conference

The conference is held in Glendale, Phoenix, and Tucson during the month of December. For details contact Community OutReach and Education at:

602-542-3062— Phoenix Metro Area

1-877-863-0655— toll free from
area codes 520 & 928

Internal Revenue Service Tax Forum

Sept. 16-18

Rio All Suites Hotel

3700 W. Flamingo

Las Vegas, NV 89103

Hotel Reservations: 888.746.6955

Forum Registration: www.paintl.com or
by phone at 301-593-0200

ANNUAL BOND EXEMPTION CERTIFICATES

Annual Bond Exemption Certificates will be mailed out by July 25, 2003. These exemption certificates are effective August 1, 2003 and expire July 31, 2004.

In order to qualify for the annual bond exemption certificate, contractors must report and pay on a timely basis for two years. Otherwise, contractors must request a one-time exemption for building permit(s) on all projects over \$50,000.

NEW RULING—TPR 03-5

This is an abbreviated version of TPR 03-5. The entire ruling can be found on our website—www.revenue.state.az.us

ISSUE: Exemption for sales of materials to publicly funded libraries for use by the public.

RULING: Gross income from sales to a publicly funded library of printed and photographic materials and electronic and digital media materials for use by the public is exempt from transaction privilege tax. Publicly funded libraries' instate storage, use, or consumption of such materials for use by the public is exempt from use tax. To qualify for exemption, the tangible personal property must (1) constitute a qualifying "material" and (2) be directed toward "use by the public."

Both the "materials" requirement and the "for use by the public" requirement must be satisfied. Patron use of an item will not make it exempt unless such item constitutes a printed, photographic, electronic media, or digital media material. If the library purchases an item solely for internal library operational or administrative uses, the item, regardless of its qualifying material status, will not be exempt. For example, a library's desks and chairs, although used by the public, constitute equipment, not qualifying materials. Likewise, book reviews, although "materials," if subscribed to for the purpose of guiding the staff in its book selections, are not "for use by the public."

For publicly funded library purchases, the following are examples of nontaxable materials, taxable equipment, and taxable supplies. These lists are not exhaustive.

Nontaxable materials:

Sold to publicly funded library and *intended for patron use*:

- Books, fictional and nonfictional
- Magazines and other periodicals
- Music scores
- Maps
- Photographs
- Microfiche
- Microfilm
- Videos
- DVDs
- Cassettes
- Audio CDs

- Databases
- CD-ROMs
- Educational software
- Pre-printed card catalogue index cards
- Computerized catalogue software containing data at the time of sale

Taxable library equipment:

Regardless of availability to patrons:

- Photocopy machines
- Typewriters
- Printers
- Projection equipment
- Microfilm and microfiche readers
- Video players
- DVD players
- Cassette players
- CD players
- Computers
- Computer peripherals
- Computer operating software programs (including network system, Internet browser, word processing, illustrator, spreadsheet, and publishing programs)
- Security devices
- Checkout scanning devices
- Library furnishings (including shelves, tables, chairs)

Taxable library supplies:

Regardless of availability to patrons:

- Book cards and pockets
- Labels
- Due date slips
- Rubber stamps
- Mending tape
- Magnetic strips
- Plastic sleeves
- Library membership cards
- Laminate materials
- Typewriter, printer and photocopier paper
- Writing and printing materials (pencils, pens, ink)

J. Elliott Hibbs, Director

Signed: May 22, 2003

NEW RULING—TPR 03-7

This is an abbreviated version of TPR 03-7. The entire ruling can be found on our website—www.revenue.state.az.us

ISSUE: The imposition of transaction privilege tax on the business of leasing automobiles on a long-term basis.

RULING: A person engaged in the business of leasing automobiles on a long-term basis is subject to tax on the gross receipts derived from the business. Nevertheless, the tax base does not include reimbursements by the lessee to the automobile lessor for payments made by the automobile lessor for vehicle title and registration fees, license plate fees, and vehicle license tax, if these amounts are separately identified and billed to the lessee.

In addition to the lease payments received, an automobile dealer or automobile lessor is also subject to tax on the amount received for the capitalized cost reduction and additional lease termination charges. With the exception of a trade-in, the taxable capitalized cost reduction includes any cash payment, manufacturer's rebate, credit card bonus, or any other item for which credit is given to the lessee. The amount of credit allowed for a vehicle that was traded in on the leased vehicle is not subject to tax. Lease termination charges may include, but are not limited to, an early termination fee, excessive mileage charge, or excessive wear and tear charge.

If a lessee enters into a lease agreement with an automobile dealer or automobile lessor and thereafter the automobile dealer or automobile lessor sells the vehicle and assigns the lease to a third-party leasing company, the leasing company is liable for the tax accruing after the date of the sale and assignment of the lease, at the state and county tax rate in effect at the leasing company's business location.

"Business location" means the business address appearing on the privilege license under which the leasing company remits tax due on the lease to the department. If the leasing company does not have a business address in Arizona, the business location shall be the lessee's residential or primary business street address. The business location shall not be altered by intermittent use at different locations.

Example:

A customer enters into a motor vehicle lease agreement with an automobile dealer ("Auto Dealer"). The lease agreement names Auto Dealer as the lessor but states that the lease agreement will be assigned to a third-party leasing company ("Leasing Co."). The customer writes a check to Auto Dealer to pay for: (1) capitalized cost reduction, (2) title, registration and license fees, and (3) first monthly lease payment.

Auto Dealer is subject to tax under the personal property rental classification on the amounts received for the capitalized cost reduction and the first-month lease payment. Leasing Co. is subject to tax under the personal property rental classification on all subsequent lease payments and any lease termination charges.

If a lessee exercises an option to purchase the vehicle, the amount paid for the vehicle is taxable to the leasing company under the retail classification, at the current state and county tax rate of the purchaser's location.

J. Elliott Hibbs, Director

Signed: May 22, 2003

E-Mail Your Questions

If you have a question that you cannot find the answer to, our Technical Assistance personnel may prove useful to you. We will gladly respond to any e-mail technical tax inquiry. All inquiries will be responded to within two working days.

E-mail your question to: TaxpayerAssistance@revenue.state.az.us

In the interest of maintaining confidentiality, DOR cannot respond to inquiries that include a Social Security number, FEIN, TPT or W/H number, or other specific taxpayer identifiers.

BRITS COUNTDOWN BEGINS!

The BRITS Countdown has begun! In only six months, the department will have a new Integrated Tax System for Transaction Privilege Tax and Withholding Tax types, and a website that will allow taxpayers and tax professionals to register, file, pay, and review their accounts on line. DOR will also debut new TPT1 and A1-QRT forms. In only 14

months, the Department will add the Corporate Tax type to the system and web site access. Individual Income Tax will be added by the end of the 4th year of the project.

NEW CIGARETTE LEGISLATION FOR TOBACCO RETAILERS

On May 19, 2003, Governor Janet Napolitano signed into law Senate Bill 1310, which requires the Attorney General to establish a Directory of Cigarettes (including roll-your-own tobacco) approved for stamping and sale in this State and to publish the Directory on the Attorney General's website. The Directory will be published on the Attorney General's website no later than August 18, 2003. Here are two ways in which the legislation will affect you:

- Upon publication of the Directory, it will be illegal for any person to stamp, sell, or offer or possess for sale cigarettes (including roll-your-own tobacco) of a tobacco product manufacturer or brand family that is not included in the Directory. Violation may subject the retailer to civil and criminal penalties.

- Upon publication of the Directory, cigarettes (including roll-your own tobacco) that have been sold, offered for sale or possessed for sale in this State in violation of the statute will be considered contraband and subject to seizure by the Arizona Department of Revenue. Seized cigarettes will be destroyed.

KEEP YOURSELF UPDATED: Visit the web sites of the Arizona Department of Revenue (www.revenue.state.az.us) and Office of the Attorney General (www.attorneygeneral.state.az.us) for further information.

YAVAPAI COUNTY JAIL TAX REMINDER

Effective July 1, 2003: The Yavapai County Board of Supervisors voted to increase the County Jail Tax. The new county rate for most business classifications will be 0.25% or .0025. That would be 25¢ (previously 20¢) tax on a \$100 transaction. Exceptions include nonmetal mining (0.156%

or .00156), hotel/motel (0.275% or .00275), and jet fuel excise tax (0.152% or .00152). The total combined state and county rate for most transactions will be 6.35%. For more information, check our web site (www.revenue.state.az.us).

2003 Employer Information Sheet Arizona Withholding Percentage Option Changes

House Bill 2533 amended Arizona Revised Statutes (A.R.S.) § 43-401 to change the Arizona withholding percentage options. These changes apply to withholding from compensation, pensions and annuities paid on or after July 1, 2003. These changes affect mandatory Arizona income tax withholding for employees, voluntary Arizona income tax withholding for Arizona resident employees working outside of Arizona and voluntary Arizona income tax withholding for pension and annuity recipients.

What are the changes for pension and annuity recipients?

2003 Withholding Percentage Option Changes	
Old rate	New rate
10%	10%
18%	18.2%
21%	21.3%
23%	23.3%
29%	29.4%
34%	34.4%

- If the recipient elects voluntary Arizona income tax withholding, the payor must withhold the greater of: \$5 per month (or a proportionate rate for any shorter pay period) or the elected percentage.
- These changes are effective for pension and annuity payments made on or after July 1, 2003.

Does the payor of a pension or annuity need to notify pension and annuity recipients of the new withholding percentage options?

- Yes. A.R.S. § 43-404 requires a payor of a pension or annuity to make Arizona Form A-4P available to pension and annuity recipients at all times and to inform the recipients of the Arizona withholding options authorized by A.R.S. § 43-401.

Will the new withholding percentages automatically apply to pension and annuity recipients?

- Yes. The payor of an annuity or pension is required to change a pension or annuity recipient's Arizona withholding percentage to the applicable new percentage *unless the recipient completes an Arizona Form A-4P for 2003 to elect a different percentage or to terminate the voluntary withholding election.*

What are the changes for employees subject to mandatory or voluntary Arizona income tax withholding?

2003 Withholding Percentage Option Changes			
Annual compensation is less than \$15,000		Annual compensation is \$15,000 or more	
Old rate	New rate	Old rate	New rate
0%	\$5 per mo.	0%	\$5 per mo.
10%	10%	N/A	N/A
18%	18.2%	18%	18.2%
21%	21.3%	21%	21.3%
23%	23.3%	23%	23.3%
29%	29.4%	29%	29.4%
34%	34.4%	34%	34.4%

- All employees subject to mandatory withholding (even those who have no federal withholding and those who elect the Arizona withholding percentage of zero) are subject to a mandatory withholding amount of \$5 per month (or a proportionate rate for any shorter pay period).
- Resident employees working outside of Arizona who elect voluntary withholding are subject to withholding in an amount that is the greater of: the elected percentage or \$5 per month (or a proportionate rate for any shorter pay period).
- These changes are effective for compensation paid on or after July 1, 2003.

Does an employer need to notify employees of the new withholding percentage options?

- Yes. A.R.S. § 43-401 requires an employer to make Arizona Forms A-4 and A-4V available to employees at all times and to inform employees of the Arizona withholding options authorized by the statute.

Will the new withholding percentages automatically apply to current employees?

- Yes. An employer is required to change an employee's Arizona withholding percentage to the applicable new percentage *unless the employee completes the revised Arizona Form A-4 or Form A-4V for 2003 to elect a different percentage.* An employee subject to mandatory Arizona withholding may elect the withholding percentage of zero if the employee meets the qualifying conditions for taxable year 2003. However, the employee who elects the zero withholding percentage will be subject to withholding at \$5 per month (or a proportionate rate for any shorter pay period). An employee subject to voluntary Arizona withholding may elect to terminate the voluntary withholding election.

How do the new withholding percentage options apply to employees hired on or after July 1, 2003?

- A new employee must complete the revised 2003 Arizona Form A-4 within the first five days of employment to elect an Arizona withholding percentage. If the new employee does not complete the revised Arizona Form A-4, the employer must withhold Arizona income tax from the employee's compensation at the greater of: the applicable minimum percentage (10% or 18.2%) or \$5 per month (or a proportionate rate for any shorter pay period).
- A new employee who is an Arizona resident working outside of Arizona may elect voluntary Arizona income tax withholding for 2003 by completing the revised Arizona Form A-4V. The employer must withhold Arizona income tax using the greater of: the percentage option chosen by the employee or \$5 per month (or a proportionate rate for any shorter pay period).

NOTE: The minimum \$5 per month (or a proportionate rate for any shorter pay period) withholding applies to all employees, even those who have no federal withholding.

TAXPAYERS TO RECEIVE ADVANCE CHILD TAX CREDIT THIS SUMMER

IR-2003-68, May 28, 2003

WASHINGTON — Beginning the last week of July, eligible taxpayers who claimed the Child Tax Credit on their 2002 tax returns will automatically receive an advance payment of the 2003 increase in this credit, the Treasury Department and Internal Revenue Service announced today.

Taxpayers will not have to take any action to get this advance payment of up to \$400 per qualifying child. The Treasury Department and IRS will perform all the calculations and automatically mail a notice and a check to each eligible taxpayer.

"The only thing the taxpayer needs to do is cash the check," said Mark W. Everson, IRS Commissioner. "If you qualify, we will send you a notice. There's no need to call, no need to apply, no need to fill out another form. The IRS will do all the work. A few days after the notice, you will get the check."

The checks – an advance payment of the 2003 increase in the Child Tax Credit – will be based on the child tax credit claimed on the taxpayer's 2002 tax return. The Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the maximum child tax credit for 2003 to \$1,000 per child, up from \$600 for tax year 2002. The law further instructed the Treasury Department to provide the difference – up to \$400 per child – as an advance payment to each eligible taxpayer this summer.

The Treasury Department will issue about 25 million of these checks this year, beginning with three principal mailings on July 25, Aug. 1 and Aug. 8. Taxpayers who filed returns after April 15 – for example, those with automatic extensions – will receive their advance payments after the IRS processes their returns. They should not make any change to their 2002 returns or remittances based on an expectation of an advance payment check.

The IRS will send notices to taxpayers on July 23, July 30 and Aug. 6, informing them of their advance payment amount. The IRS urges taxpayers to hold on to these notices for their 2003 tax returns. They will need to take the advance payment into account when determining the amount of their child tax credit on the 2003 tax return.

Taxpayers who are not eligible for the advance payment may still qualify for the increased child tax credit of up to \$1,000 when they file the 2003 tax return next year. For instance, a taxpayer who did not have a child in 2002, but had one in 2003, would not receive an advance payment but may qualify for the full \$1,000 credit on the 2003 tax return.

More information, including answers to frequently asked questions, is available on the IRS Web site at www.irs.gov.

FAQS ON ADVANCE CHILD TAX CREDITS

Starting July 25, the IRS will begin issuing advance payment checks to about 25 million taxpayers who claimed the child tax credit on their 2002 tax return. Taxpayers who did not claim a child tax credit on their return will not receive an advance payment. The payment is an advance refund of the expanded child tax credit for the 2003 tax year. The child tax credit will increase to a maximum of \$1,000 per child from \$600. Taxpayers could receive up to \$400 for each qualifying child they claimed on their 2002 return.

To help taxpayers, the IRS has answers to some commonly asked questions.

1. What do I need to do to get an advance payment check?

Nothing at all – the IRS will take care of everything. We're using your 2002 tax data to automati-

cally figure whether you're due an advance payment check and if so, how much it will be. If you're getting an check, we'll notify you shortly before we mail it. You won't need to call or fill out any forms or applications.

2. How do I find out if I'm eligible?

Generally, you're eligible if you claimed the child tax credit on your 2002 tax return and your qualifying child was born after 1986. The IRS will send you a notice of your advance payment amount a few days before your check is mailed.

3. When will I receive my check?

The Treasury will mail most of the advance payment checks on July 25, August 1 and August 8 – more than 8 million checks each week. The mail-

(Continued on page 9)

Child Tax Credit FAQs

(Continued from page 8)

ings will be scheduled according to the last two digits of the Social Security number that appears first on the 2002 tax form.

Treasury will continue to mail checks until late December to taxpayers who filed returns after April 15, such as those who requested automatic extensions. If you are one of these filers, do not change your 2002 return or payment amount based on your expectation of receiving an advance payment check. If you are eligible, you will receive your advance payment after the IRS processes your 2002 return.

4. Why is Treasury mailing the check instead of using direct deposit?

People often change bank accounts. While people also move, a mailed check can and will be forwarded to a new address. However, a direct deposit cannot be forwarded if a bank account has been closed.

5. I have moved since filing my 2002 tax return – how will my check reach me?

You should file a change of address notice with the U.S. Postal Service to ensure that your advance payment check may be forwarded to your new address. Without your current address, the check could be returned to the IRS as undeliverable.

6. I have not filed my 2002 tax return yet, can I still qualify for an advance payment?

Yes. If you filed for an extension, you have until Aug. 15 to file your 2002 tax return. (Under some circumstances, you may seek another extension until Oct. 15.) If you claim a child tax credit on your 2002 return, follow the 2002 tax law in figuring the amount. Do not change your return or your tax payment in anticipation of an advance payment. If you are eligible for the advance payment, we will mail your check four to six weeks after we receive your 2002 tax return.

7. My spouse and I have divorced and the advance payment check is made out to both of us – can I cash it?

If the check is made payable to two parties, then both parties must endorse the check on the back. Even if the two parties are now divorced, both must sign the check.

8. Will I qualify for an advance payment if my qualifying child turns 17 on December 31, 2003?

No. Your qualifying child must have been born after 1986 for you to be eligible for an advance payment.

9. What if I receive an advance payment that's larger than the Child Tax Credit I am entitled to claim on my 2003 return?

When figuring your 2003 child tax credit, you will subtract your advance payment from the amount you would otherwise claim. If your advance payment was more than this amount, you will not have to repay the difference. The new law bases the advance payment on the child tax credits claimed on the 2002 tax return. Of course, we recognize that your tax situation can change from year to year.

10. Will this advance payment raise my taxes for 2003?

No – it's part of the tax cut the new law gives you for 2003. Keep the notice the IRS sends you for your tax records. You will need your advance payment amount to figure the child tax credit on your 2003 return.

11. I'm eligible but I didn't receive my check. What should I do?

If you do not receive an advance payment check, you will still be entitled to up to an additional \$400 per qualifying child if you claim the Child Tax Credit on your 2003 tax return. Either way – through the advance payment or through claiming the credit on your return – you will receive the benefit of the credit's increase from a maximum of \$600 to \$1,000 per child.

12. If I receive the advance Child Tax Credit payment will I get a smaller refund than last year?

Assuming your income and number of qualifying children remain the same, your 2003 refund shouldn't be smaller than your 2002 refund because of your advance payment. That's because the advance payment is the same amount as the increase in the value of the credit. The law simply gives you this increase now, rather than having you wait until next year for a bigger refund. When you figure the Child Tax Credit on your 2003 return, you will subtract the amount of your advance payment check from the \$1,000-per-child total, generally leaving you with the same \$600-per-child credit that you had in 2002.



SAFE DEPOSIT AUCTION

On Saturday, July 26, 2003, the Department of Revenue will be hosting its Unclaimed Property Safe Deposit Auction. The auction will be located at 3030 E Washington St., Phoenix, at 10 am with a preview of items starting at 8 am. Rollover day is on Sunday. Items including jewelry, coins and

collectibles from various unclaimed safe deposit boxes will be auctioned. Preview and live bidding is available on July 19, 2003.

For more information, please call 602-252-4842 or you may view the items at www.auctionandappraise.com/index.htm